Overview of business strategy for value creation

This part elaborates Nomura Group's strategy for value creation and its specific measures.
Nomura Group aims to enhance the earnings power of existing businesses, mainly in the three main segments, while strengthening the growth potential of the entire Group through the pursuit of new business opportunities that capture the changing business environment and the replacement of business portfolios. Our aim is to establish a business model capable of achieving a stable ROE of 8~10% and creating economic value. At the same time, by contributing to the creation of a prosperous future while helping our stakeholders solve issues and grow, we will create social value and further strengthen Nomura Group's organizational value.

Increase in corporate value

Contribute to financial and capital markets expansion, economic development and the realization of sustainable society through our core businesses

Clients	Shareholders and investors	Business partners	Employees	Society and environment

Creation of economic value

Increase underlying earning power (improve ROE) and growth potential while reducing cost of equity through profit stabilization

Creation of social value

Resolving stakeholder issues, supporting the creation and growth of a prosperous future

Milestones for Sustainable Corporate Value Improvement

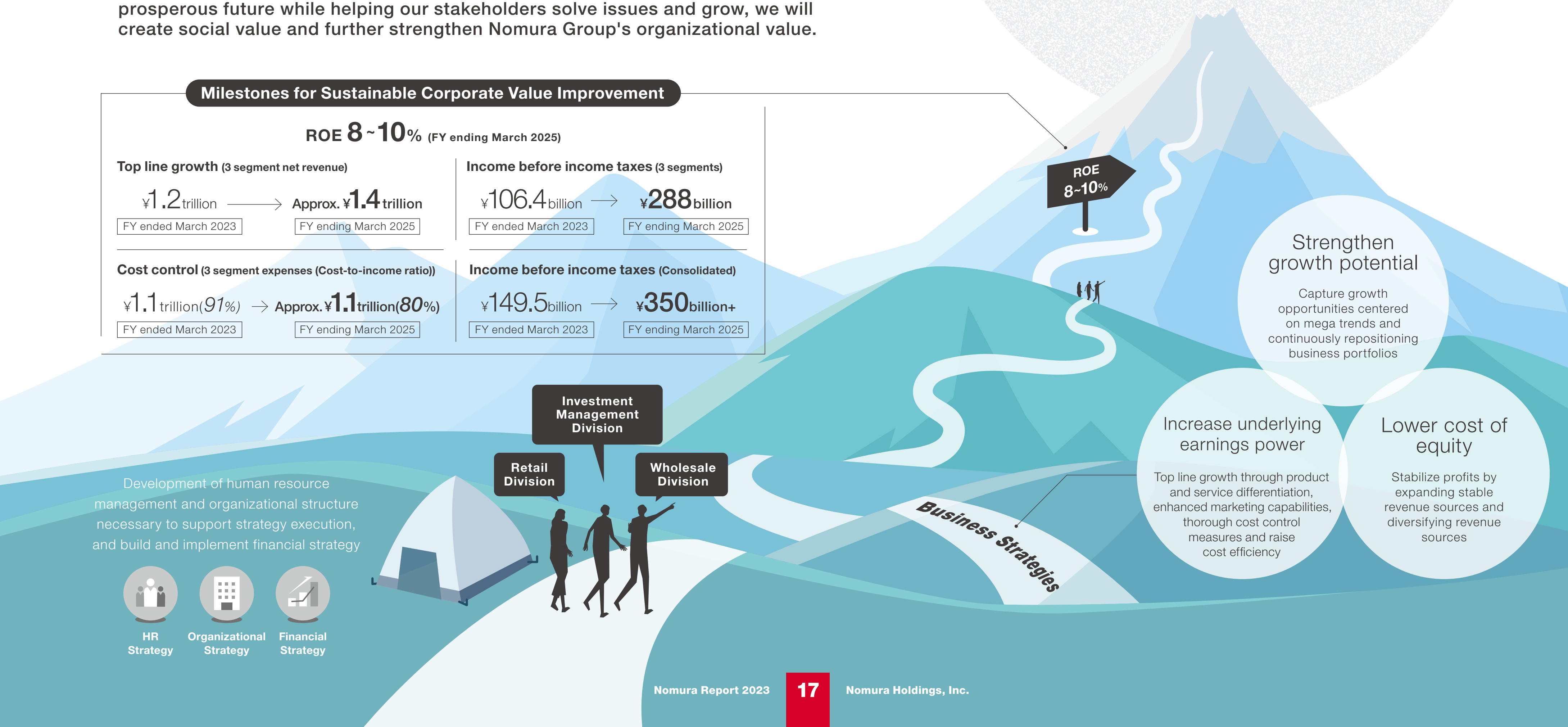
ROE 8~10% (FY ending March 2025)

Top line growth (3 segment net revenue)
¥1.2trillion (FY ended March 2023) → Approx. ¥1.4trillion (FY ending March 2025)

Income before income taxes (3 segments)
¥106.4billion (FY ended March 2023) → ¥288billion (FY ending March 2025)

Cost control (3 segment expenses (Cost-to-income ratio))
¥1.1trillion(91%) (FY ended March 2023) → Approx. ¥1.1trillion(80%) (FY ending March 2025)

Income before income taxes (Consolidated)
¥149.5billion (FY ended March 2023) → ¥350billion+ (FY ending March 2025)



Continuous improvement of corporate value

Creation of economic value

Creation of social value

Business Strategies

Earnings Power		Growth		Stability, increase earning power, reduce cost of equity
Measures / Value Drivers		Measures / Value Drivers		
Continuous efforts for differentiation of content	■ Leverage Group's strengths to provide a comprehensive set of products and services ■ Expand traditional investment products and provide private and real asset investment opportunities ■ Provide high-value-added services based on expertise in sustainability	Capturing growth markets	■ Contribute to the development of deep and wide financial and capital markets from public to private, and expand investment options for clients and society ■ Strong advisory and asset consulting services that utilize expertise to propose optimal solutions from a variety of options	**Enhance stable revenue sources** build up client assets and investment business **Reduce topline volatility** diversify business portfolio and business cycles
Expansion of capital efficient businesses	■ Strengthen face-to-face business in Retail (corporate/owners and HNWIs segment) ■ Focus management expertise on core funds to create competitive performance ■ Enhance International Wealth Management and advisory businesses ■ Strengthen Global Markets' high-ROE businesses	Organic Growth	■ Increase market share and deliver high value-added services of existing businesses	
Strengthen marketing capabilities	**Domestic** ■ Expand client touchpoints through segmental approaches and alliances ■ Developing B2B2C areas such as workplace businesses **Global** ■ Strengthen sales coverage ■ Expand and scale competitive products globally	Inorganic growth	■ Consider alliances and acquisitions that will help expand business in growth areas (private markets, advisory, consulting, etc.) ■ Acquire client base, products, human capital, technical expertise, etc.	
Enhance efficiencies and functionality of infrastructure and operating processes	■ Integrate and standardize IT infrastructure, and improve operational efficiency ■ Review purchasing and office location strategies	Continuous adjustment of business portfolio	■ Thorough analysis of business cycles (growth potential, ROE, competition) ■ Strategic reallocation of capital through sales of non-core assets and businesses ■ Disciplined business operations effectively aligned to company-wide strategies	

Stakeholders	Measures / Value propositions
Clients	Contribute to a prosperous future for clients and encourage innovation through our core business
Shareholders and investors	Maximize returns by improving corporate value and delivering appropriate shareholder returns
Business partners	Create long-term competitive advantages through developing new financial services and business expansion that capitalizes on the strengths of both parties
Employees	Contribute to the development of employees' careers and the realization of a prosperous future through opportunities to demonstrate capabilities and fair evaluation
Society and environment	Contribute to the expansion of financial and capital markets, economic development, and realization of a sustainable society through growing sustainability-related businesses, improving financial literacy, and promoting initiatives for a decarbonized society

HR Strategy

Hire and grow highly specialized and diverse human resources with the necessary skill sets to execute upon our strategy

Develop senior management capable of planning and executing firm strategies

HR Strategy P.47 | DEI P.49

Organizational Strategy

Continue to build an organizational structure to effectively execute business strategies in light of the changing business environment while demonstrating the Group's comprehensive capabilities (e.g. creation of Investment Management division, Content Company, Digital Company)

Further develop control and governance functions to ensure checks and balances

Foster a strong corporate culture

Corporate governance P.57 | Code of Conduct P.67 | Compliance P.69 | Risk Management P.71

Financial Strategy

Maintain robust financial/liquidity base

Optimize capital allocation strategy through balancing investments into growth opportunities and returning capital to shareholders

CFO Message P.19

CFO Message

We aim to raise our corporate value over the long term by improving the profitability of our existing businesses and optimally allocating capital, including investment for growth

Takumi Kitamura
Executive Officer
Chief Financial Officer (CFO) and Investor Relations

Nomura Group aims for a business model that can consistently deliver return on equity (ROE) of 8 to 10 percent over the medium-term while capitalizing on business opportunities globally. As a financial institution based in Japan, we see our cost of equity to be at around 8 percent*1, which is why we are aiming for ROE higher than that at around 8 to 10 percent. Our mission is to deliver returns to shareholders that are greater than our cost of equity.

Here, I will outline how we plan to achieve this and boost valuation from the equity markets to raise our price-to-book ratio (PBR) through initiatives to maximize our ROE and minimize our earnings volatility to lower our cost of equity.

*1 Cost of equity calculated using CAPM.

FY2022/23 review

During the year ended March 2023, volatility spiked in the fixed income markets on the back of monetary tightening, particularly in the US, and geopolitical risks such as the war in Ukraine, leading to a correction in prices across assets.

In March this year, the failure of some small to mid-size banks in the US spilled over to affect banks in Europe, giving rise to concerns over the negative impact a credit crunch could have on the economy. Amid this environment, we reported ROE of 3.1 percent, significantly lower than our target.

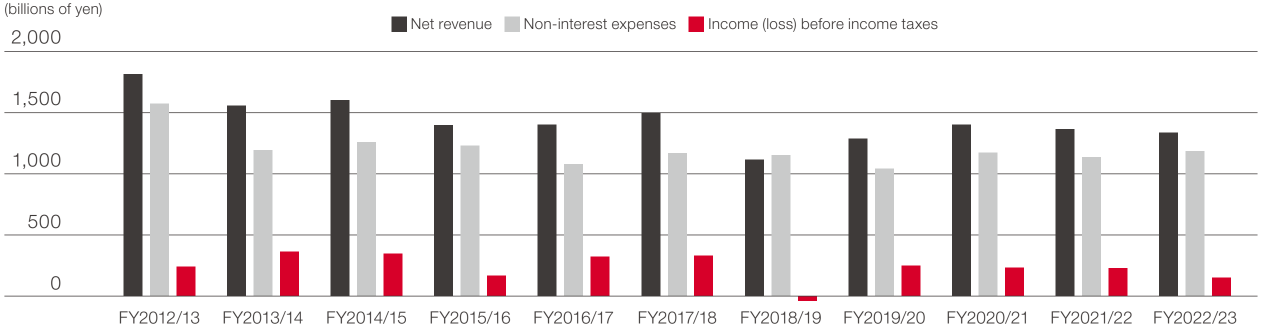
However, the majority of the financial products we hold are marked to market at fair value and we have minimal off-balance-sheet unrealized gains or losses, giving us a robust financial position.

$$\text{PBR} = \frac{\boxed{1}\ \text{ROE}}{\boxed{2}\ \text{Cost of equity} - \boxed{3}\ \text{Expected growth rate}}$$

1 Maximize ROE	■ Improve profitability ■ Raise capital efficiency
2 Lower cost of equity	■ Smooth out earnings volatility by stabilizing and diversifying groupwide revenues
3 Increase expected growth rate	■ Capture growth markets ■ Realize organic and inorganic ■ Realign business portfolio

ROE	4.9%	8.9%	8.6%	4.9%	8.7%	7.9%	-3.7%	8.2%	5.7%	5.1%	3.1%

(billions of yen)



Fiscal years ended March 31

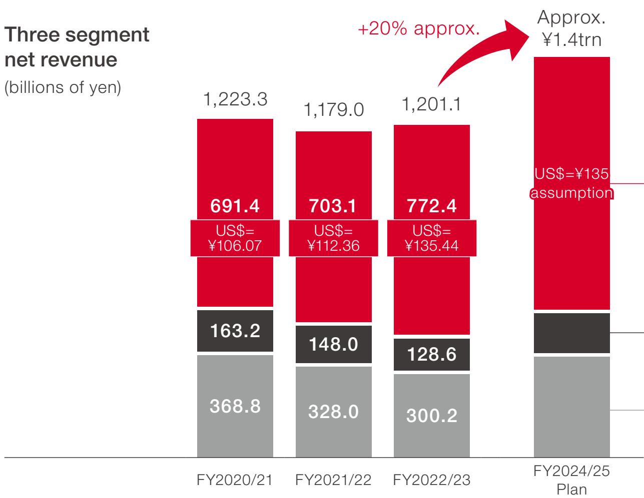
ROE can be analyzed in terms of profitability, asset efficiency and financial position. The calculation on the right can be used to gain a true reflection of this aligned to the current state of our business.

Comparing our FY2022/23 financial results to the average of three US peers, you can see a significant gap in the cost-to-income ratio with ours at 89 percent (or 91 percent for three segment total) and the average of the three US firms*[2] at 67 percent. Our asset efficiency is also slightly lower with return on risk-weighted assets (ROA) of 7.9 percent versus 8.9 percent for our US peers. However, financial leverage is roughly the same at 5.6 times compared to 5.5 times. So the challenge we face is to improve ROA while lowering our cost-to-income ratio.

*2 Goldman Sachs, JPMorgan, and Morgan Stanley.

$$\text{Pretax ROE} = \left(1 - \underbrace{\frac{\text{Cost}}{\text{Revenue}}}_{\text{Cost-to-Income Ratio}}\right) \times \underbrace{\frac{\text{Revenue}}{\text{RWA}}}_{\text{Return on RWA (ROA)}} \times \underbrace{\frac{\text{RWA}}{\text{Equity}}}_{\text{RWA on Equity}}$$

ROE	FY2020/21	FY2021/22	FY2022/23	FY2024/25 Plan
ROE	5.7%	5.1%	3.1%	8-10%



	FY2020/21	FY2021/22	FY2022/23	FY2024/25 Plan
Three segment expenses	975.7	973.8	1,094.8	**Approx. 1.1trn**
(CIR)	80%	83%	91%	**80%**
Three segment income before income taxes	247.6	205.2	106.4	**288**
Groupwide income before income taxes	230.7	226.6	149.5	**350+**

Wholesale

- Assuming wholesale fee pools decline slightly from FY2022/23 (Investment Banking up 14-22%, Global Markets down 8-10%)
- Accelerate medium-term strategy to boost revenues

Investment Management

- Build up AUM in public business
- Scale private businesses
- Grow real asset business

Retail

- Pursue segment-based approach to boost revenues
  - Define client targeting in face-to-face business to deliver high added value
  - Leverage digital in non face-to-face business to deliver services to broader range of clients

Improving profitability

Generally, expenses work with economies of scale so it is not realistic for us to achieve a cost-to-income ratio in the 60 percent range similar to our US peers who have a much larger capital base. That said, our current cost-to-income ratio is clearly an issue. To address this, we will cut back as much as possible on investing new resources and aim to improve our top line performance.

Specifically, as a milestone to achieving our medium-term target, we are pushing forward with initiatives in each business in order to increase revenues from our three main business segments by around 20 percent by March 2025 (FY2022/23 net revenue: 1.2 trillion yen; FY2024/25 net revenue target: approx. 1.4 trillion yen).

In Retail, we increased the number of Sales Partners covering corporates/owners and high-net-worth individuals by 1.5 times earlier this year to 4,800. We did this to ensure we can make the best proposals to meet the complex and diverse needs of these clients.

For clients looking to build their investment portfolio over the medium-term, or those who prefer online light-touch services, we set up to offer convenient, user-friendly services leveraging digital tools. In this way, we have reorganized our Retail business to maximize productivity by reallocating resources to best meet the needs of different client segments.

For our Wholesale business, we are expecting global fee pools to decline slightly from last year. To expand our revenue base amid this environment, our first priority is to roll out the core products of each region into other regions. Second, we will take a systematic approach to managing client relationships in order to maximize wallet share from key clients. Third, we will strengthen our International Wealth Management business, which we see as delivering strong ROE. In doing so, we will implement an achievable revenue growth plan suited to our current positioning.

The business environment in Japan has improved recently. With the Nikkei Stock Average hitting a 33-year high and the expansion of the NISA scheme, expectations are rising that the nation's personal financial assets will shift into risk assets.

Regardless of this, we are focused on lifting our productivity and raising our cost efficiency so that we can remain profitable even if the global operating environment doesn't improve. This should allow us to lower our cost base by 50 billion yen by March 2025 compared to last fiscal year (excluding increase in expenses due to inflation, higher variable costs related to improved revenues, and investment for growth).

Over the medium-term, we plan to reduce costs by an additional 12 billion yen by revisiting our location strategy and integrating our IT infrastructure and data centers.

Our plan to expand revenues also includes investments such as new hires, but if we are unable to generate adequate returns for our investment, we will make timely adjustments to our headcount. By maintaining cost discipline while capturing business opportunities to boost our top line, we aim to lower our three segment cost-to-income ratio to around 80 percent by March 2025.

Raising capital efficiency

To enhance capital efficiency, we have realigned our business portfolio several times over the past few years to focus resources on our areas of competitive strength. We have also scaled down or closed business that were no longer strategically important or unprofitable.

In April 2019, we exited the Equities business in EMEA and more recently we have sold stakes in companies in the Philippines, Vietnam and Thailand. We have also actively sold off our strategic shareholdings in Japan.

Our strategy is aligned to the specific needs of each business. For example, our modified risk-weighted assets at the end of March 2023 totaled 17.3 trillion yen, divided into 64 percent Wholesale, 8 percent Investment Management, 4 percent Retail and 24 percent outside the three segments.

Given the nature of its business, Retail does not use much regulatory capital while being intensively allocated in human and IT resources. Investment Management's asset management business is also relatively light on regulatory capital. So for these two businesses, our strategy is to maximize profitability by growing stable revenues and controlling costs.

Wholesale is responsible for supplying products to the whole Group and conducting market making activities, both of which require regulatory capital and costs related to risk management. We manage our portfolio with a focus on both the revenue to modified risk-weighted asset ratio and profitability. We are working to scale up our core products to enhance profitability, while growing capital-light business such as International Wealth Management.

By stabilizing and diversifying our groupwide revenues and smoothing out our earnings volatility, we aim to lower the firm's risk premium to reduce our cost of equity. To ensure sustainable growth and earnings power into the future, we will regularly review how capital is allocated taking into account ROE and business growth potential and realign our business portfolio accordingly.

The strategies and measures outlined above have been discussed in depth by our Board of Directors. The management team, including myself, take these discussions seriously and will work hard to raise our corporate value.

Higher corporate value: Investing for growth and shareholder returns

As a global financial services firm, there are many regulations we must follow in order to conduct business, but one of the most important of which is the Basel Framework. We have set a medium-term target for our Common Equity Tier 1 (CET1) ratio of 11 percent or more. As of the end of March 2023 it stood at 16.3% percent.

If you apply the fully-implemented Basel III rules due to come into effect in March 2025 to our balance sheet at the end of March 2023, our CET1 ratio is around 13 to 14 percent, giving us sufficient capital to meet the requirements. For the portion that exceeds our 11 percent medium-term target, we will consider a number of options including additional risk taking in our existing businesses, investing in areas of growth, and shareholder returns.

We take a proactive approach to shareholder returns. Over the past 10 years we have generated total net income of 1.53 trillion yen and returned 1.2 trillion yen to shareholders in the form of dividends and share buybacks*[3] (average total payout ratio of 79 percent).

In April 2023, based on our track record and the direction taken by our peers, we raised our dividend payout ratio from 30 percent to 40 percent or more. While we retained our policy for a total payout ratio of at least 50 percent, we plan to conduct further share buybacks taking into account our share price and performance.

Our policy on cancelling our own shares is that in principle we will retain a maximum of approximately 5 percent of the total number of issued shares and we will cancel shares exceeding this amount. Ten years ago we had 3.7 billion outstanding shares (excluding own shares). By proactively acquiring and cancelling our own shares, that figure has now come down to 3 billion.

*3 Including stock options and restricted stock units.

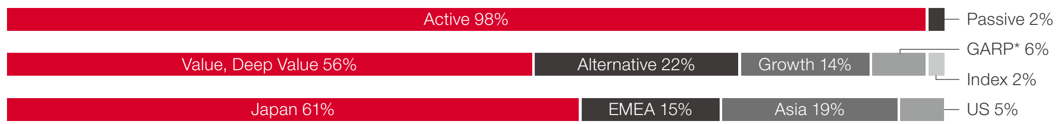
column

Communicating with our shareholders

We actively reach out to our shareholders and other investors. We take the constructive feedback and share it internally, including with the Board of Directors, in order to support our management strategy.

FY2022/23 activities

Speaking opportunities	Quarterly financial results, biannual strategy updates (Investor Day, Nomura Investment Forum), Sustainability Day, one-on-one meetings (investor relations, shareholder relations), overseas roadshows. Although not captured in the data below we also conduct online briefings for individual investors.
Speakers	Group CEO, CFO, Deputy CFO, Division Heads, Senior Managing Director in charge of Sustainability, Senior Managing Director in charge of Group Secretariat and Regulatory Affairs, Investor Relations team.
Shareholders communicated with include	Analysts, portfolio managers/fund managers, proxy voting managers, chief investment officers, fixed income investors, and partners. A breakdown of investor type is shown below.



Main topics and shareholder interest	■ Specific steps to achieve management targets ■ Growth strategy for each business in current macro and competitive environments ■ Initiatives to improve profitability and smooth our performance volatility (revenue outlook, cost control) ■ Potential for inorganic growth (areas, scope) ■ Initiatives to raise capital efficiency and shareholder return policy ■ Initiatives to strengthen corporate governance (board structure, board effectiveness, etc.)

Feedback from investors was compiled after each quarterly results and strategy updates and reported to the Executive Management Board and the Board of Directors

We still have a long way to go to fully implement initiatives to boost our corporate value. We intend to steadily execute the strategy outlined here and increase opportunities for dialog with our stakeholders. We look forward to your continued support.

*Growth at a Reasonable Price